

QUINTE MILK PRODUCTS,

Limited

and its wholly owned subsidiary,
QUINTE CREAMERIES, LIMITED



Thirty-ninth Annual Report and Financial Statements

for the fiscal year ended
DECEMBER 31st, 1967

NOTICE OF
ANNUAL GENERAL MEETING

TAKE NOTICE that the Annual General Meeting of the Shareholders of the Company will be held in Toronto, Ontario, at the King Edward Sheraton Hotel, Upper Canada Room, on Wednesday, the 13th day of March, 1968 at the hour of 2:00 o'clock in the afternoon, for the purpose of receiving and considering the Report of the Directors of the Company and the Consolidated Balance Sheet, Consolidated Statement of Income and Retained Earnings, Consolidated Statement of Source and Application of Funds and Auditors' Report for the past year, electing Directors for the ensuing year, the appointment of Auditors and the transaction of such other business as may properly come before the Meeting.

DATED this 21st day of February, 1968.

By order of the Board,

R. A. LENNOX,
Secretary.



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DIRECTORS' REPORT

For the year ended December 31st, 1967

TO THE SHAREHOLDERS

Your Directors submit with this report, the Consolidated Financial Statement of your Company, and its subsidiary for the year ended December 31st, 1967, together with the report of the Auditors to the Shareholders.

Loss from operations for the year amounted to \$29,210 compared to a loss of \$63,560 in 1966.

While 1967 operating results cannot be considered as satisfactory, nevertheless the reduction of the loss as compared to 1966 is quite substantial. There is every indication that the manufacturing branch of the industry is becoming stabilized after two or three years of chaotic conditions caused by steadily increasing prices and allowances to producers without corresponding assistance from government to manufacturers to enable them to meet world prices.

It was reported to the Shareholders in our 1966 report that management had an energetic program under way designed to improve the marketability of the Company's products, and enter more profitable markets. An exhaustive study has been carried out during the past two years and management can now report that the first phase of a diversification program has been approved by your Directors, involving building renovations and plant re-equipment.

This phase of the program is scheduled for completion in early May and it is anticipated that a normal start-up and break-in period will be required to achieve maximum efficiency and adjustment to our production schedule.

The improvement in operations as a result of these production facilities will be only partially realized during the current year. From reliable information available combined with the favorable market reception of our products, we can now visualize considerable improvement in operating results for 1968. The following year should reflect the full potential of our present program.

Included with this report is a notice calling the Annual General Meeting of the Shareholders to be held on March 13th, 1968. Holders of Common voting shares who are unable to be present at the Meeting are requested to sign and return the enclosed proxy.

The Directors again express their appreciation and thanks to all members of the staff for the loyal and capable manner in which they have discharged their duties during the past year.

On behalf of the Board,

E. W. McLEOD,
President.

Wellington, Ontario.
February 21, 1968.

QUINTE MILK P

(Incorporated under the laws of the State of California)

and its wholly owned subsidiaries

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1967

(with comparative figures at December 31, 1966)

ASSETS		1967	1966
CURRENT ASSETS			
Cash		\$ 3,477	\$ 10,064
Guaranteed investment certificates		150,000	150,000
Accounts receivable		106,191	54,123
Chattel mortgages receivable		8,163	7,450
Income taxes recoverable		3,769	4,455
Inventories of finished goods at estimated cost and raw materials and supplies at the lower of cost and replacement cost		53,501	81,454
Prepaid expenses		9,440	3,758
		<u>334,541</u>	<u>311,304</u>
OTHER ASSETS			
Life insurance, cash surrender value		5,470	5,290
Deposit on machinery (note 2)		37,511	3,000
		<u>42,981</u>	<u>8,290</u>
FIXED ASSETS (note 1)			
Land, buildings and equipment		854,628	831,673
Less accumulated depreciation		657,596	632,449
		<u>197,032</u>	<u>199,224</u>
PROCESSES AND LEASES, at nominal value		1	1
		<u>\$574,555</u>	<u>\$518,819</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank advances, secured by hypothecation of guaranteed investment certificate of \$50,000		\$ 25,000	\$ 49,109
Accounts payable and accrued liabilities		76,055	49,109
		<u>101,055</u>	<u>49,109</u>
LONG-TERM DEBT (note 2)			
Bank advances		33,000	
SHAREHOLDERS' EQUITY			
CAPITAL STOCK			
Authorized			
50,000 Participating Class A non-voting shares without par value carrying a non-cumulative preferential dividend up to 60¢ per share per annum			
10,000 Common shares without par value			
Issued			
50,000 Class A shares)		244,843	244,843
9,625 Common shares)			
RETAINED EARNINGS		195,657	224,867
		<u>440,500</u>	<u>469,710</u>
		<u>\$574,555</u>	<u>\$518,819</u>

PRODUCTS, Limited

(Incorporated under the laws of Ontario)

A wholly owned subsidiary

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
Sales	\$1,508,875	\$1,368,883
Cost of goods sold	1,174,225	1,079,268
Gross profit	<u>334,650</u>	<u>289,615</u>
Expenses		
Manufacturing	273,607	257,341
Merchandising	49,951	55,799
Administrative	52,201	59,203
	<u>375,759</u>	<u>372,343</u>
Operating loss	<u>41,109</u>	<u>82,728</u>
Other income		
Interest earned	8,727	8,901
Rental revenue	2,400	2,400
Profit on disposal of fixed assets	772	3,781
	<u>11,899</u>	<u>15,082</u>
Loss before income taxes	29,210	67,646
Income taxes recoverable		4,086
LOSS FOR THE YEAR (note 4)	<u>29,210</u>	<u>63,560</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	224,867	288,427
RETAINED EARNINGS AT END OF YEAR	<u>\$ 195,657</u>	<u>\$ 224,867</u>

Approved on behalf of the Board:

W. H. JOLLIFFE, Director

E. W. McLEOD, Director

QUINTE MILK PRODUCTS, Limited

and its wholly owned subsidiary

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	<u>1967</u>	<u>1966</u>
SOURCE OF FUNDS		
Operations		
Depreciation which does not involve a current outlay of funds	\$ 36,554	
Deduct loss for the year	29,210	
	<hr/> 7,344	
Deduct profit on disposal of fixed assets reflected in loss for the year ..	772	
	<hr/> 6,572	
Proceeds from disposal of fixed assets	5,175	\$ 5,269
Proceeds from long-term bank advances	33,000	
	<hr/> 44,747	<hr/> 5,269
APPLICATION OF FUNDS		
Operations		
Loss for the year		63,560
Deduct depreciation which does not involve a current outlay of funds ..		34,598
		<hr/> 28,962
Add profit on disposal of fixed assets reflected in loss for the year ..		3,781
		<hr/> 32,743
Additions to fixed assets	38,765	17,210
Deposit on machinery	34,511	3,000
Life insurance, cash surrender value	180	180
	<hr/> 73,456	<hr/> 53,133
DECREASE IN WORKING CAPITAL	28,709	47,864
WORKING CAPITAL AT BEGINNING OF YEAR	262,195	310,059
WORKING CAPITAL AT END OF YEAR	<hr/> <u>\$233,486</u>	<hr/> <u>\$262,195</u>

QUINTE MILK PRODUCTS, Limited

and its wholly owned subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1967

1. FIXED ASSETS

	December 31, 1967		December 31, 1966	
	Asset Value	Accumulated Depreciation	Asset Value	Accumulated Depreciation
Land	\$ 14,275		\$ 14,275	
Land improvements	2,234	\$ 345	2,234	\$ 266
Buildings	141,196	77,887	141,196	74,048
Machinery and equipment	619,841	520,460	599,539	496,689
Automotive equipment	77,082	58,904	74,429	61,446
	<u>\$854,628</u>	<u>\$657,596</u>	<u>\$831,673</u>	<u>\$632,449</u>

Fixed assets are valued at depreciated replacement value as per appraisal of The Canadian Appraisal Company, Limited dated September 29, 1928 with subsequent additions at cost.

The method of charging depreciation is on the diminishing balances at maximum rates as allowed by the income tax department.

2. LONG-TERM DEBT

The company is undergoing a capital expansion program estimated to cost \$200,000, of which \$33,000 has been advanced by the bank and used to make a deposit on machinery.

It is anticipated that the presently arranged bank financing program is to be repaid in seven equal annual instalments commencing in 1969.

3. EXPENSES

Expenses including the following:

	1967	1966
Depreciation	\$36,554	\$34,598
Remuneration to directors and senior officers	30,575	38,283

4. ACCUMULATED LOSSES

Accumulated losses of \$75,047 remain deductible in determining income taxes in future years.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
QUINTE MILK PRODUCTS, LIMITED.

We have examined the consolidated balance sheet of Quinte Milk Products, Limited and its wholly owned subsidiary as at December 31, 1967 and the consolidated statements of income and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Kingston, Ontario.
January 17, 1968.

QUINTE MILK PRODUCTS, Limited

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by Management of proxies to be voted at the Annual General Meeting of the Shareholders of Quinte Milk Products, Limited to be held on March 13th, 1968. Proxies may also be solicited by Directors and/or Officers of the Company at nominal cost. The Company will bear the cost of solicitation of proxies by Management.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE SECRETARY OF THE COMPANY.

A Shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

EXERCISE OF DISCRETION BY PROXY

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS, FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS AND OTHER BUSINESS TO BE ACTED UPON AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular, the Management of the Company knows of no such amendment, variation or other matters to come before the meeting other than the matters referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On December 31, 1967 the Company had outstanding 50,000 Participating Class A Non-voting Shares without par value carrying a non-cumulative preferential dividend up to 60¢ per share per annum and 9,625 Common Shares without par value. Only the holders of the Common Shares are entitled to vote at the Meeting of Shareholders, each Common Share carrying the right to one vote. Principal Shareholders of the Company are Horlicks Limited of Slough, Bucks., England, which holds 12,824 Class A Shares and 5,974 Common Shares and Mr. W. H. Jolliffe, a Director of the Company, who holds 4,260 Class A Shares and 1,769 Common Shares. Apart from the above, the Directors and Senior Officers of the Company do not know of any person or company beneficially owning, directly or indirectly, more than 10% of the Class A or 10% of the Common Shares of the Company. Shareholders of record holding Common Shares of the Company at the time of the Meeting will be entitled to attend and vote at the Meeting.

ELECTION OF DIRECTORS

The Board consists of five Directors and the following are Management's nominees for election to the Board with information concerning them:

Names of Directors:	Principal Occupation or Employment during past five years and organization in which such employment is carried on:	Director Since:	Shares owned beneficially at February 21st, 1968:
A. D. CLARK	Vice-President and Director (Retired). Prior to Dec. 31, 1967 he was Vice-President of Maple Leaf Mills Limited.	1957	150 Common
W. H. JOLLIFFE	Director (Retired). Elected Oct. 3, 1928; resigned March 8, 1937; re-elected April 17, 1946.	1946	4260 Class A 1769 Common
J. M. KRUMMEL	Director. Executive Vice-President Horlicks Corporation, Racine, Wisconsin.	1967	9 Common
E. W. McLEOD	President and Director. From Nov. 5, 1965 to Feb. 15, 1966 with the Department of Agriculture of the Government of Alberta. Previously Plant Manager of Palm Dairies Limited of Edmonton, Alberta. Vice-President of Operations with Quinte Milk Products, Limited from 1966 until his election as President Feb. 24, 1967.	1966	50 Class A 1 Common
W. RALPH SALTER, Q.C.	Director, Partner Salter, Reilly, Jamieson & Apple, Solicitors, Toronto, Ontario.	1930	50 Class A 12 Common

The term of office of each Director elected will be from the date of the meeting at which he is elected until the Annual Meeting next following or until his successor is elected or appointed.

Proxies received pursuant to this solicitation will be voted for the election of the above-named nominees. If for any reason any such nominee should not be available for election, such proxy will be voted in favour of the remaining nominees and may be voted for a substitute nominee or nominees in the place of those who are not candidates. Management has no reason to believe that any of these nominees will fail to be candidates at the Meeting and does not at this time have any substitute for such nominees.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid by the Company in 1967 to the Directors and Senior Officers of the Company was the sum of \$30,575 for the fiscal year ended December 31, 1967. In the previous fiscal year ended December 31, 1966 the amount paid was \$38,283.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of Proxy intend to vote for the reappointment of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders and to authorize the Directors to fix their remuneration. The said firm and its predecessor, Thorne, Mulholland, Howson & McPherson, have been Auditors of the Company for more than five years.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

The Management knows of no other matters to come before the Annual General Meeting of Shareholders other than as set forth in the Notice of Meeting. However, if other matters which are not known to the Management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the judgment of the person or persons voting the proxy.

By Order of the Board of Directors,

R. A. LENNOX,
Secretary.

February 21, 1968.

QUINTE MILK PRODUCTS, LIMITED

(Ontario Incorporation March 1, 1928)

HEAD OFFICE AND PLANT WELLINGTON, ONT.

OFFICERS

E. W. McLEOD *President*

A. D. CLARK *Vice-President*

R. A. LENNOX *Secretary-Treasurer*

DIRECTORS

A. D. CLARK TORONTO, ONT.

E. W. McLEOD PICTON, ONT.

W. H. JOLLIFFE TORONTO, ONT.

W. R. SALTER, Q.C. TORONTO, ONT.

J. M. KRUMMEL RACINE, WISC. *xVP Horlick Corp*

Shares Listed - The Toronto Stock Exchange - October 17, 1944

Participating Class "A" Non-Voting Shares - QMPA

Common Shares - QMP

Transfer Agents and Registrars

CANADA PERMANENT TRUST COMPANY

1901 YONGE ST.

TORONTO

Bankers

BANK OF NOVA SCOTIA

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON

KINGSTON

Solicitors

SALTER, REILLY, JAMIESON & APPLE

TORONTO